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MACROECONOMIC POLICY QUESTIONS: TRADE AND DEVELOPMENT

Letter dated 1 October 1996 from the Permanent Representative of Bangladesh to the United Nations addressed to the Secretary-General

I have the honour to transmit herewith the text of the Declaration adopted by the Ministerial Meeting of the Least Developed Countries, held at United Nations Headquarters on 30 September 1996.

On behalf of the least developed countries, I would like to request you to arrange to have the present letter and its annex circulated as an official document of the General Assembly under agenda item 94 (c).

(Signed) Anwarul Karim CHOWDHURY
Permanent Representative
and
Coordinator of the Least
Developed Countries in
New York

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Annex

DECLARATION OF THE MINISTERIAL MEETING OF
THE LEAST DEVELOPED COUNTRIES

NEW YORK, 30 SEPTEMBER 1996

We, the Ministers of the Least Developed Countries meeting in New York during the fifty-first session of the General Assembly pursuant to the decision of the Dhaka Declaration of February 1990,

Recalling the Paris Programme of Action for the Least Developed Countries for the 1990s,

Recalling the Ministerial Declaration adopted at Midrand, South Africa, on 1 May 1996 during the ninth session of the United Nations Conference on Trade and Development,

Noting the outcome of the High-level Intergovernmental Meeting on the Mid-term Global Review of the Paris Programme of Action for the Least Developed Countries for the 1990s, held in New York in September/October 1995,

Having assessed progress in the implementation of the Programme of Action,

Solemnly declare the following:

1. We are deeply concerned that only limited progress has so far been made in the implementation of the Paris Programme of Action. Despite vigorous domestic efforts to implement economic reforms, the least developed countries as a group have not been provided with adequate support to enable them to meet the objectives of the Programme. While their overall economic performance showed some modest improvement during the last two years, a decisive reversal of their socio-economic deterioration is not yet in sight. The problems associated with formidable structural adjustment difficulties and economic reforms, declining flow of already low level of development resources, extremely low export capacity, compounded by limited market access, crushing debt burden, low level of human development, environmental degradation etc., continue to impede seriously the development efforts of the least developed countries. Periodic natural and man-made disasters and other adverse situations, including political instability and civil strife and problems of refugees and their attendant negative consequences, continue to imperil the fragile socio-economic conditions in many least developed countries. Their development problematique is further compounded by the process of rapid globalization in a liberalizing world economy, which has magnified the susceptibility of the least developed countries to powerful external forces and deepened their marginalization.

2. The asymmetry in the implementation of the Programme of Action has grown further in that, while the least developed countries have been expanding the deepening reform efforts in line with the Programme, implementation of the commitments by the development partners has increasingly faltered. The decline in the official development assistance flows to the least developed countries is

an important testimony to this disturbing trend. Between 1994 and 1995, total official development assistance provided by the Development Assistance Committee donor countries fell by nearly one tenth. The share of least developed countries in these shrinking official development assistance flows has declined to levels far short of the targets and commitments agreed upon in the Paris Programme of Action. Official development assistance flows to least developed countries, as a share of the Development Assistance Committee donors' combined gross national products, fell from 0.09 per cent in 1990 to 0.07 per cent in 1994, and this trend continued during 1995. Dwindling official development assistance flows have seriously undermined the development efforts of the least developed countries and their capacity to attract other forms of development financing, including private flows. We urge our development partners to make special efforts to reverse the decline in development resource flows to least developed countries and make an effort to reach the target agreed in the Paris Declaration and Programme of Action for the Least Developed Countries for the 1990s. In this regard, we note the emphasis given by the heads of States and Governments of the Group of Seven major industrialized countries in Lyons to development resource requirements of the poorest countries. We urge our development partners to undertake practical measures to translate this into concrete and early actions with a view to providing the least developed countries with a substantially increased volume of official development assistance as envisaged in the Programme of Action. The mid-term global review of the Programme of Action set out specific measures to incorporate aid targets and commitments in favour of the least developed countries into the donors' national aid strategies and budgetary planning mechanisms. These measures should be to put into operation urgently.

3. We are encouraged that agreements have been reached on the funding arrangements for the eleventh replenishment of the International Development Agency and on replenishing the African Development Fund. In view of the fact that the multilateral financial institutions and organizations provide a significant part of the external financing of the least developed countries, we urge that these pledges be implemented in a timely manner. Adequate resources should also be provided while replenishing the Asian Development Fund, as well as for the United Nations funds and programmes.

4. The external debt-service burden of the least developed countries remains extremely high and in many cases unsustainable. This has seriously jeopardized their economic growth and development. The least developed countries welcome various debt-relief measures currently in place, but these measures have remained grossly inadequate to reduce decisively their heavy debt burden. We note with keen interest the recent multilateral debt relief initiative by the Bretton Woods institutions. We note with keen interest the recent initiative by the Bretton Woods institutions on alleviating the external debt of the poorest countries, including multilateral debt. An assessment of this initiative will have to await the finalization of the debt relief schemes. It should, however, be mentioned that the effectiveness of this scheme will critically depend on the nature of eligibility criteria and the flexibility with which they are applied, the country coverage, and the extent of relief provided. In particular, all debt-distressed least developed countries should be brought under this scheme and the debt reduction should be large enough to bring the debt stock and debt servicing of these countries to a sustainable level. Such relief should be

provided on an urgent basis so as to enable these countries to resume their process of growth and development. We also appeal to all creditor countries to cancel fully all bilateral official debt owed by the least developed countries.

5. The continued marginalization of the least developed countries in world trade is a source of great concern. We note with disquiet that the least developed countries as a whole may be adversely affected by the agreements of the Uruguay Round of Multilateral Trade Negotiations. The least developed countries notably stand to suffer erosion of preferential margins they hitherto enjoyed for most of their main exports to international markets, resulting in a loss in their export market shares and export earnings. The net food-importing least developed countries would face higher food import bills, owing to trade liberalization in the agricultural sector. Many land-locked least developed countries face additional constraints due to their being land-locked and thus require special measures by the international community. We urge our development and trading partners to adopt specific and concrete measures to redress these problems. Such measures should help the least developed countries to meet their obligations under the said agreements; to secure financial, technical and technological support, as agreed in the relevant agreements; and to secure compensation for losses they have suffered during implementation of the said agreements. Such measures should also result in reversal of the marginalization of the least developed countries, ensure their integration into the global economy and strengthen their capacity to compete effectively in world trade.

6. We call upon our development and trading partners to provide assistance to the least developed countries on a priority basis, to mitigate the adverse consequences arising from the Final Act of the Uruguay Round and to enable the least developed countries to exploit opportunities that may emanate therefrom. In particular, the proposal to accord duty-free treatment to exports of the least developed countries should be given urgent consideration. There has not yet been any visible action in implementing the special and differential measures accorded to the least developed countries in the various agreements of the Round.

7. We also reiterate the importance of setting up "safety net" measures to help the least developed countries tide over the transitional difficulties, which could take the form of technical assistance, food aid, debt relief, additional preferential measures - including those in areas where trade liberalization is at an incipient stage - exempting the least developed countries from "tariff peaks" and "tariff escalation", and trade promotion measures. We call upon the Singapore Ministerial Meeting of the World Trade Organization, to be held in December 1996, to adopt a comprehensive plan of action for the least developed countries which should contain concrete measures in the area of market access and as in other areas, including immediate elimination of all tariff and non-tariff measures on all existing and future export items originating from the least developed countries, with a view to enhancing their export earnings and improving their supply capacity of tradeable goods and services and enabling them to benefit from the Final Act of the Uruguay Round.

8. The least developed countries confront the processes of globalization and liberalization with distinct disadvantages. The outcome of the ninth session of the United Nations Conference on Trade and Development highlights the challenges posed to the least developed countries and the need to provide support to these countries to help them overcome the risks of further marginalization in the process. Enhanced access to expanding global markets requires efficient production structures capable of meeting increasingly exacting demands in terms of quality, cost and delivery structures on international markets. These requirements contrast sharply with the salient characteristics of the export sector of the least developed countries, which include serious lack of diversification and widespread shortages of entrepreneurial and managerial skills, technological capacities, physical infrastructure and support services such as finance, marketing and insurance. Integration of the least developed countries into the world economy, to resolve these formidable constraints, will require concerted action by the least developed countries, the international community and multilateral institutions, including the United Nations Conference on Trade and Development, the World Trade Organization and the Bretton Woods institutions.

9. We reiterate the conclusion of the ninth session of the United Nations Conference on Trade and Development and the provision in paragraph 114 calling for the implementation of the mid-term review of the implementation of the Programme of Action for the Least Developed Countries. In particular, we urge for the strengthening of the entity in the United Nations Conference on Trade and Development secretariat dealing with issues of the least developed countries, to enable it effectively to coordinate the sectoral work and monitor the implementation of the Paris Programme of Action, the special provisions for least developed countries contained in the Uruguay Round agreements and decisions of the major global conferences relevant to the least developed countries. Emerging out of its ninth session, the revitalized United Nations Conference on Trade and Development will have a major role to play in realizing potential gains from globalization and liberalization and reduce the risks of marginalization. In this regard, we welcome the Special Initiative for Least Developed Countries launched by the Secretary-General of the United Nations Conference on Trade and Development and also the steps taken by him in establishing a trust fund for the least developed countries. We also welcome his decision to hold monthly consultations with heads of the missions of the least developed countries in Geneva on the functioning of new organizational arrangements and on issues of interest to the least developed countries. We request him to put the trust fund into operation as soon as possible and urge the donors to contribute generously to the fund and to support all other activities undertaken for the least developed countries. We express our readiness to extend to him our full cooperation and support in successfully implementing this important undertaking. We also would like to request him to commence the preparatory process, at the level of the United Nations Conference on Trade and Development secretariat, for a third United Nations conference on the least developed countries.

10. We note with interest the substantive communication between the Heads of Government of Bangladesh, on behalf of the least developed countries, and the President of France, the host of the Group of Seven summit held in Lyons, France, in June 1996, pursuant to the Midrand Ministerial Declaration of Least

Developed Countries. We are convinced of the need for a standing arrangement for continued dialogue between the least developed countries and the seven major industrialized countries. Towards this end, we would like to request the Prime Minister of Bangladesh to continue to bring to the attention of the future summit meetings of the Group of Seven countries issues of particular concern to the least developed countries.